

Financial Status Report

Prepared by the Finance Department



June 30, 2008

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2008. It compares revenues and expenditures for Fiscal Year 2007-08 and Fiscal Year 2006-07. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

GENERAL FUND BALANCE

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$120.5 million, which was \$418,000 below recent projections. Expenditures and encumbrances at \$129.6 million were \$29.7 million below the budget for the year.

TOP GENERAL FUND REVENUES



Property Taxes (\$47.2 million) – Property taxes reflect an 8% increase over Fiscal Year 2006-07 revenues. The majority of this increase in property taxes was from a 9.9% increase in assessed values in Carlsbad for the fiscal year. This was the lowest growth percentage in assessed values that the City has seen in the past five fiscal years. This reflected a countywide slow down in property valuation, but it

should be noted that the City of Carlsbad still had the second largest increase year over year of any city in San Diego County.

While the 9.9% increase in assessed values for the City reflected the assessed value of all of the taxable property in the City, there were several factors that affected the amount of property taxes received during the year: lower sales prices in the residential market (equating to reduced supplemental taxes), an increase in property reassessments, and an increase in delinquencies.

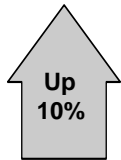


Sales Taxes (\$28.0 million) – For the fiscal year, sales tax revenues were \$123,000 (or 0.4%) higher than the previous fiscal year. The primary factors in the increase this year included a decrease in taxable transactions (a 1.2% drop in taxable transactions during the 12 months ended March 31, 2008), several one-time payments received as a result of audit findings from previous periods, and a 14% increase in the semiannual "Triple Flip" receipt. The increased "Triple Flip" receipt

was based on the growth in sales tax revenues during Fiscal Year 2006-07.

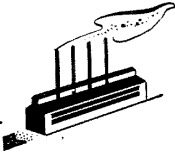
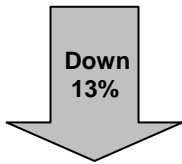
For sales occurring in the first calendar quarter of 2008 (the most recent data available), key gains could be seen in service stations, restaurants and retail building materials. During the same period, key declines could be seen in new and used auto sales, furniture/appliance stores, and department stores.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 68% of the City's sales tax revenues.



Transient Occupancy Tax (\$14.3 million) – Transient Occupancy Taxes (TOT) for the year reflected an increase of \$1.3 million, 10% over the previous fiscal year. Tourism has been strong all year long, with the two largest hotels contributing 41% of the increase. Our three new hotels accounted for an additional 32% of the increase. The other factors included timing differences and stronger tourism at the remaining hotels. Over the past 12 months, the average occupancy rate for reporting hotels has been 60%. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2008.

Although the Olympic Resort closed during the year (78 rooms) for conversion into a health club, the Hampton Inn (94 rooms) opened to the public in December 2007, and the Sheraton Carlsbad Ranch (250 rooms currently open) and the Homewood Suites (150 rooms) opened to the public in February 2008. Currently, there are 3,635 hotel rooms and 664 vacation rentals (timeshares) in the City.



Franchise Taxes (\$4.6 million) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are down \$712,000 over the same period last year due primarily to a large decrease in the annual franchise tax paid by SDG&E.

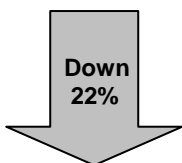
SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. This “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are down in total by 27%. Net electricity sales increased by 17%, while gas sales decreased by 3%. The “in-lieu” taxes are down by 52% for the year. The drop in “in-lieu” taxes is more a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E, rather than the price of natural gas.



Income from Investments and Property (\$4.1 million) – For the year, income from investments and property was up \$198,000 compared to the previous year. The higher revenue is a combination of an increase in interest income (up 5%) and an increase in the rental of City-owned property (up 6%).

Interest income is up for the year due to the effects of a 2% increase in the average yield on the portfolio for the fiscal year. The City has seen the yield on the Treasurer's portfolio drop from an average of 4.5% at the beginning of the fiscal year, to an average of 4.0% in June 2008. The City was earning the higher yield earlier in the fiscal year, when the cash balance in the General Fund was higher than the previous year, thereby creating the higher positive variance (up 5%).

Higher recreation facility rentals throughout the year created the positive variance in the rental of City-owned property.



Development-Related Revenues (\$3.5 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year of 22%.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue source for the year was engineering plan check fees, which is one of the first fees paid during the initial stages of development. These fees were up for the year due to the initial steps of development at some of the last remaining master planned projects in Carlsbad including: Robertson Ranch, Cantarini Ranch, and Holly Springs. Some of the activity in June included the La Costa Condominiums and a condominium project in La Costa Greens.

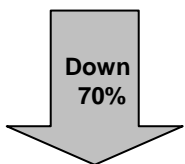
Another source of development-related revenue is building permits, which were down 19% compared to last fiscal year. The decrease in building permit revenue was derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The valuation of new construction in the fiscal year was just under \$230.7 million, while it was just over \$287.6 million in the previous fiscal year, a 20% decrease. The pace of residential construction remained steady in June, with builders pulling permits for 29 units. In the Northwest Quadrant, one permit was issued for a single-family residence and another permit was issued for a second dwelling unit. In the Southeast Quadrant, 14 single-family homes were permitted in the Trieste development in La Costa Greens, and 13 single-family homes were permitted in the Messina development in La Costa Ridge. For the fiscal year, 339 residential permits were issued, as compared to 472 permits issued last fiscal year.

For the month of June, the City issued seven permits for new reportable non-residential space, for a total of 250,013 square feet. In the Northwest Quadrant, one permit was issued to Magellan Aviation for an office/hanger totaling 58,566 square feet and another permit was issued for a hanger totaling 8,480 square feet of industrial space. In the Northeast Quadrant, three permits were issued for a total of 95,604 square feet of industrial space located in Opus Point. In the Southeast Quadrant, one permit was issued for 40,000 square feet of industrial space located on Campbell Place, and another permit was issued for 47,363 square feet of commercial space located on Gateway Road. For the year there was a combined 1,237,300 square feet in commercial/industrial permits issued, as compared to 1,616,301 square feet in Fiscal Year 2007.



Business License Tax (\$3.3 million) – Business license revenues have increased by \$272,000 compared to Fiscal Year 2007. Twenty percent of this increase is due to timing differences. One of the City's larger businesses paid for their license in June this year, when last year they paid in July.

The number of licenses issued this year, 8,559, is almost even to last year's 8,541. The remainder of the increase in revenue is due to increased business volumes, which translates into more taxes, as most taxes are based on gross receipts. The majority of taxed businesses (5,965 businesses) are located in Carlsbad, with 2,582 of these businesses home-based.



Other Intergovernmental Revenues (\$2.5 million) – Other intergovernmental revenues include miscellaneous receipts received from the State or Federal governments, as well as local school districts. Included in the \$2.5 million received this year are state library grants, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses,

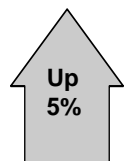
State mandated costs reimbursements, state and federal disaster preparedness funds, Law Enforcement Terrorism Program funding, a firearms training simulator grant, school resource officer reimbursements, money received from the County of San Diego for police task force reimbursements, identification theft task force assistance, and reimbursements received from the Federal Highway Administration (FHWA) and the Office of Emergency Services (OES) for the 2005 winter storm damage in the City. A major factor in this year's decrease is the assistance the City received from FHWA (\$6.2 million last fiscal year versus \$675,000 this fiscal year) for the 2005 winter storm damage in the City.



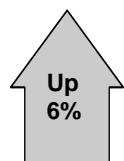
Interdepartmental Charges (\$2.3 million) – Interdepartmental charges were \$163,000, or 8% higher than last year. These charges are generated through engineering services charged to capital projects (up 41%), miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 6%) and reimbursed work from other departments outside of the General Fund (down 74%).



Ambulance Fees (\$2.0 million) – The City bills any individual who is transported in one of the City's ambulances. For the fiscal year, receipts from ambulance fees are up 15% or \$259,000 higher than last fiscal year. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in Fiscal Year 2007-08 (3,918) versus Fiscal Year 2006-07 (3,563). In June of 2007, the City implemented an electronic transmission system, which has increased the efficiency of billing for ambulance services.



Recreation Fees (\$1.7 million) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue was \$80,000 higher than the previous fiscal year. The largest factors in this year's increase were increased participation in instructional classes, youth and adult sports, and the annual triathlon. These increases were partially offset by lower revenues in arts camps and the various aquatic programs.



Fines and Forfeitures (\$1.3 million) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving citations issued led to additional revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.

EXPENDITURES

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2007-08 equaled \$129.6 million. This was \$19.7 million less than the budget of \$149.3 million. These "savings" represent an accumulation of efficiency efforts achieved over the past six fiscal years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$19.7 million unspent money will be carried over to the next fiscal year. These "savings" will be used to improve programs and services in upcoming fiscal years.

Some of the larger factors reflected in the increase in expenditures were the update of the City's General Plan, Local Coastal Program and Zoning Ordinance; the purchase of a fire rescue ambulance and replacement equipment; the purchase of furniture and equipment for the Senior Center expansion; an increase in routine and emergency traffic signal maintenance; additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure; the upgrading of the City's financial information system; costs related to the fires in San Diego County in October of 2007; costs related to the Tamarack Avenue sink hole emergency repair; and the partial funding of the Joint First Responders Training Facility.

The City Council allocated \$2.24 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. For the year, just under \$1.3 million was authorized out of the contingency account, as shown in the chart below. The remaining contingency amount of \$947,000 will return to the General Fund balance for appropriation by the Council in the future.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$2,240,000		
USES:			
School Adult Crossing Guard Services Contract	(27,610)	08/07/2007	2007-202
Purchase of a Fire Rescue Ambulance and Replacement Equipment	(156,670)	09/11/2007	2007-237
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,052)	09/18/2007	2007-249
City Manager Recruitment Expenses	(70,000)	09/18/2007	2007-250
"In Kind" Service Assistance for the 2007 Carlsbad High School Homecoming Parade	(2,540)	09/18/2007	2007-250
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(557)	12/04/2007	2007-305
Review of NRG's Proposal to Construct a New Power Plant at the Encina Power Station	(200,000)	12/11/2007	2007-312
City Education Efforts for Charter City Initiative	(45,000)	02/05/2008	2008-030
Tamarack Avenue Sink Hole Emergency Repair	(750,000)	02/19/2008	2008-046
Legal Services Related to Adult Business Zoning	(35,000)	03/18/2008	2008-071
Additional Appropriation for Grad Nite Activities	(2,900)	04/22/2008	2008-123
"In Kind" Service Assistance for In Motion, Inc.	(2,000)	05/06/2008	2008-134
TOTAL USES	<u>(1,293,329)</u>		
AVAILABLE BALANCE	<u><u>\$946,671</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON				
	ACTUAL REVENUE 2006-07	ACTUAL REVENUE 2007-08	ACTUAL COMPARED TO ACTUAL	
			DIFFERENCE	%
TAXES				
PROPERTY TAX	\$43,651,329	\$47,196,622	\$3,545,293	8.1%
SALES TAX	27,888,562	28,011,995	123,433	0.4%
TRANSIENT TAX	12,929,008	14,277,351	1,348,343	10.4%
FRANCHISE TAX	5,346,108	4,634,049	(712,059)	-13.3%
BUSINESS LICENSE TAX	3,055,710	3,327,844	272,134	8.9%
TRANSFER TAX	1,261,849	951,141	(310,708)	-24.6%
TOTAL TAXES	94,132,566	98,399,002	4,266,436	4.5%
INTERGOVERNMENTAL				
VEHICLE LICENSE FEES	608,257	449,733	(158,524)	-26.1%
HOMEOWNERS EXEMPTIONS	370,630	379,909	9,279	2.5%
OTHER	8,334,015	2,505,952	(5,828,063)	-69.9%
TOTAL INTERGOVERNMENTAL	9,312,902	3,335,594	(5,977,308)	-64.2%
LICENSES AND PERMITS				
BUILDING PERMITS	1,006,155	817,024	(189,131)	-18.8%
OTHER LICENSES & PERMITS	1,087,651	1,174,498	86,847	8.0%
TOTAL LICENSES & PERMITS	2,093,806	1,991,522	(102,284)	-4.9%
CHARGES FOR SERVICES				
PLANNING FEES	1,097,045	604,161	(492,884)	-44.9%
BUILDING DEPT. FEES	733,740	637,925	(95,815)	-13.1%
ENGINEERING FEES	1,614,082	1,427,304	(186,778)	-11.6%
AMBULANCE FEES	1,720,624	1,979,926	259,302	15.1%
RECREATION FEES	1,650,556	1,730,236	79,680	4.8%
OTHER CHARGES OR FEES	777,044	1,147,710	370,666	47.7%
TOTAL CHARGES FOR SERVICES	7,593,091	7,527,262	(65,829)	-0.9%
FINES AND FORFEITURES	1,262,006	1,336,293	74,287	5.9%
INCOME FROM INT & PROPERTY	3,896,280	4,094,672	198,392	5.1%
INTERDEPARTMENTAL CHARGES	2,122,938	2,286,527	163,589	7.7%
OTHER REVENUE SOURCES	766,964	930,130	163,166	21.3%
TRANSFERS IN	13,960	573,000	559,040	4004.6%
TOTAL GENERAL FUND	121,194,513	120,474,002	(1,279,551)	-1.1%

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
		AS OF 06/30/08			
DEPT	DESCRIPTION	TOTAL BUDGET FY 2007-08	ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BUDGET (c)	% UNDER/ (OVER) BUDGET
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$432,183	\$384,941	\$47,242	10.9%
	CITY MANAGER	1,842,402	1,570,674	271,728	14.7%
	COMMUNICATIONS	1,453,835	1,256,426	197,409	13.6%
	CITY CLERK	197,614	193,269	4,345	2.2%
	CITY ATTORNEY	1,405,263	1,318,200	87,063	6.2%
	CITY TREASURER	211,025	175,954	35,071	16.6%
	TOTAL POLICY/LEADERSHIP	5,542,322	4,899,464	642,858	11.6%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	1,095,523	886,236	209,287	19.1%
	ENVIRONMENTAL RESOURCES MGMT.	360,450	306,733	53,717	14.9%
	FINANCE	4,077,112	3,826,121	250,991	6.2%
	HUMAN RESOURCES	3,795,969	2,500,206	1,295,763	34.1%
	RECORDS MANAGEMENT	1,030,803	894,473	136,330	13.2%
	TOTAL ADMINISTRATIVE SERVICES	10,359,857	8,413,769	1,946,088	18.8%
PUBLIC SAFETY					
	POLICE	27,059,732	26,113,060	946,672	3.5%
	FIRE	19,152,969	17,772,259	1,380,710	7.2%
	TOTAL PUBLIC SAFETY	46,212,701	43,885,319	2,327,382	5.0%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	3,369,829	2,847,447	522,382	15.5%
	HIRING CENTER (c)	88,000	85,426	2,574	2.9%
	GEOGRAPHIC INFORMATION	563,767	499,283	64,484	11.4%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	329,839	293,388	36,451	11.1%
	PLANNING	5,090,492	3,909,080	1,181,412	23.2%
	BUILDING	2,355,856	2,115,533	240,323	10.2%
	TOTAL COMMUNITY DEVELOPMENT	11,797,783	9,750,157	2,047,626	17.4%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,817,719	5,675,599	1,142,120	16.8%
	SENIOR PROGRAMS	1,372,115	1,208,281	163,834	11.9%
	LIBRARY	10,963,386	9,813,749	1,149,637	10.5%
	CULTURAL ARTS	1,012,324	975,052	37,272	3.7%
	TOTAL COMMUNITY SERVICES	20,165,544	17,672,681	2,492,863	12.4%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,844,230	1,142,255	701,975	38.1%
	ENGINEERING	10,803,477	8,749,885	2,053,592	19.0%
	PARKS	6,188,915	5,657,295	531,620	8.6%
	STREETS & TRAFFIC SIGNALS	4,507,725	4,328,122	179,603	4.0%
	FACILITIES	5,301,851	4,289,461	1,012,390	19.1%
	TOTAL PUBLIC WORKS	28,646,198	24,167,018	4,479,180	15.6%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	6,099,962	1,602,222	4,497,740	73.7%
	TRANSFERS OUT	19,471,800	19,163,800	308,000	1.6%
	CONTINGENCY	946,671	0	946,671	100.0%
	TOTAL NON-DEPT & CONTINGENCY	26,518,433	20,766,022	5,752,411	21.7%
TOTAL GENERAL FUND		\$149,242,838	\$129,554,430	\$19,688,408	13.2%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs, Tamarack Avenue sink hole emergency repair and other items not attributed to a specific department.

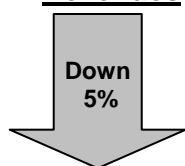
(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) These "savings" represent an accumulation of efficiency effort achieved over the past seven years.

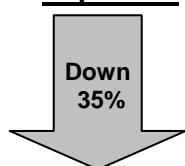
WATER ENTERPRISE

WATER OPERATIONS FUND JUNE 30, 2008

	BUDGET FY 2007-08	YTD 06/30/2007	YTD 06/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
WATER DELIVERY	21,319,904	19,613,667	19,726,971	113,304	0.6%
MISC. SERVICE CHARGES	214,300	240,749	210,348	(30,401)	-12.6%
PROPERTY TAXES	2,488,479	2,505,551	2,712,504	206,953	8.3%
FINES, FORFEITURES & PENALTIES	255,000	268,000	261,638	(6,362)	-2.4%
INTEREST	326,216	581,211	149,338	(431,873)	-74.3%
OTHER REVENUES	514,500	1,842,192	706,017	(1,136,175)	-61.7%
TOTAL OPERATING REVENUE	25,118,399	25,051,370	23,766,816	(1,284,554)	-5.1%
EXPENSES					
STAFFING	3,039,451	5,513,387	2,989,710	(2,523,677)	-45.8%
INTERDEPARTMENTAL SERVICES	2,326,132	2,212,446	2,329,350	116,904	5.3%
PURCHASED WATER	13,500,000	12,537,238	12,412,321	(124,917)	-1.0%
MWD/CWA FIXED CHARGES	2,689,925	2,459,775	2,704,669	244,894	10.0%
OUTSIDE SERVICES/MAINTENANCE	630,617	709,219	514,721	(194,498)	-27.4%
DEPRECIATION/REPLACEMENT	2,993,000	2,820,017	2,993,000	172,983	6.1%
CAPITAL OUTLAY	11,650	2,983	71,175	68,192	2286.0%
MISCELLANEOUS EXPENSES	1,122,536	12,052,019	753,069	(11,298,950)	-93.8%
TOTAL OPERATING EXPENSES	26,313,311	38,307,084	24,768,015	(13,539,069)	-35.3%
OPERATING INCOME/(LOSS)	(1,194,912)	(13,255,714)	(1,001,199)	12,254,515	-92.4%

Revenues

- Flat water delivery revenues are the result of a combination of a 5% decrease in the number of water units sold, an overall 9% increase in water rates (water sales and delivery charges) that went into effect in November 2007, and an additional 2,209 residential water customers over the last 12 months.
- The increase in property taxes aligns with the overall increase seen in property tax revenues in the City's General Fund.
- The decrease in interest revenue was due to the Marbella settlement costs and legal fees paid by the Enterprise in August 2007, but reflected in the 2006-07 Fiscal Year expenses.
- Other revenues reflect reimbursements received by the Enterprise relating to the Marbella settlement in the prior fiscal year.

Expenses

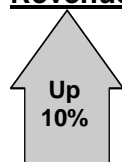
- The Enterprise funded its accrued liability for retiree healthcare costs as required under GASB 45 in the prior fiscal year, affected staffing costs in Fiscal Year 2006-07.
- Purchased water expenses reflect a 6% decrease in purchased water units netted with a 7% increase in the cost per acre foot of water.
- Costs in Fiscal Year 2006-07 related to the proposed desalination facility, prior year asphalt/street repairs, and prior year water main repairs at Mystra and College/Cannon, are reflected in the decrease in outside services and maintenance.
- Miscellaneous expenses reflect the Marbella settlement in the previous fiscal year.

As anticipated, the Enterprise ended the year with an operating deficit of \$1 million. There is a sufficient retained earnings balance to cover this deficit.

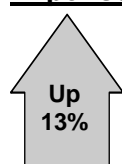
WASTEWATER ENTERPRISE

WASTEWATER OPERATIONS FUND
JUNE 30, 2008

	BUDGET FY 2007-08	YTD 06/30/2007	YTD 06/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
CHARGES FOR CURRENT SERVICES	8,320,565	7,435,737	8,077,289	641,552	8.6%
INTEREST	145,770	238,071	210,613	(27,458)	-11.5%
OTHER REVENUES	273,436	199,559	336,333	136,774	68.5%
TOTAL OPERATING REVENUE	8,739,771	7,873,367	8,624,235	750,868	9.5%
EXPENSES					
STAFFING	1,494,962	1,140,633	1,243,619	102,986	9.0%
INTERDEPARTMENTAL SERVICES	1,269,141	1,039,221	1,131,475	92,254	8.9%
ENCINA PLANT SERVICES	3,382,381	2,579,155	3,129,114	549,959	21.3%
OUTSIDE SERVICES/MAINTENANCE	271,484	183,128	445,333	262,205	143.2%
DEPRECIATION/REPLACEMENT	3,332,000	3,161,928	3,280,000	118,072	3.7%
CAPITAL OUTLAY	816,200	53,841	56,417	2,576	4.8%
MISCELLANEOUS EXPENSES	409,622	390,454	390,497	43	0.0%
TOTAL OPERATING EXPENSES	10,975,790	8,548,360	9,676,455	1,128,095	13.2%
OPERATING INCOME/LOSS	(2,236,019)	(674,993)	(1,052,220)	(377,227)	55.9%

Revenues

- The increase in charges for current services is primarily the result of an additional 1,897 new residential sewer customers over the past 12 months, as well as a 10.6% rate increase that went into effect in November 2007.
- Decreased interest revenue is the result of a 14% lower average daily cash balance combined with a 2% increase in the yield on the portfolio for the year.
- Encina's second quarter billing contained adjustments to the prior year amounts billed to the Enterprise. This resulted in a \$90,000 reimbursement in the current year as reflected in the increase in other revenues.

Expenses

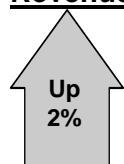
- Increased staffing costs are the result of filling vacant positions created in the previous fiscal year due to retirements.
- Higher chemical and staffing costs, as well as utility costs related to the new office building are reflected in the Encina plant services.
- Costs related to the implementation of a work order system, the rental of a Vactor truck over the first six months of the fiscal year, and costs related to the wastewater rehab at the Agua Hedionda Lagoon can be seen in the increase in outside services and maintenance expenses.
- Higher depreciation expenses are the result of recently acquired wastewater infrastructure, facilities and equipment.

The Enterprise ended the year with an operating deficit of \$1.1 million; a \$2.2 million loss was anticipated. The purchase of two Vactor trucks was deferred until next fiscal year. There is a sufficient retained earnings balance to cover this deficit.

REDEVELOPMENT AGENCY

CARLSBAD REDEVELOPMENT AGENCY
VILLAGE PROJECT AREA
OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS
JUNE 30, 2008

	BUDGET FY 2007-08	YTD 06/30/2007	YTD 06/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
PROPERTY TAXES	2,748,000	2,664,424	2,659,546	(4,878)	-0.2%
INTEREST	70,000	99,586	132,489	32,903	33.0%
OTHER REVENUES	48,500	55,173	81,125	25,952	47.0%
TOTAL OPERATING REVENUE	2,866,500	2,819,183	2,873,160	53,977	1.9%
EXPENDITURES					
STAFFING	186,474	239,613	211,341	(28,272)	-11.8%
INTERDEPARTMENTAL SERVICES	94,893	85,301	94,893	9,592	11.2%
RENTALS & LEASES	170,254	143,304	149,499	6,195	4.3%
DEBT EXPENSE	1,693,912	1,661,849	1,695,300	33,451	-2.0%
CAPITAL OUTLAY	1,267,874	640,363	845,626	205,263	32.1%
OUTSIDE SERVICES, MAINT & MISC	141,074	154,623	87,431	(67,192)	-43.5%
TOTAL OPERATING EXPENDITURES	3,554,481	2,925,053	3,084,090	159,037	5.4%
TOTAL OPERATING REVENUES OVER EXPENDITURES	(687,981)	(105,870)	(210,930)	(105,060)	99.2%

Revenues

- Property taxes received year-to date reflect a 0.2% decrease, although assessed values for the year increased by 2.2% in the Village Redevelopment Area. Reduced supplemental taxes and higher delinquencies account for this difference.
- Increased interest revenue is the result of a 28% higher average daily cash balance combined with a 2% increase in the yield on the portfolio for the year.
- Increased other revenues are the result of lease revenues from the Sowing Sisters and permit revenue from the Hotel Lumiere project.

Expenditures

- The Agency funded its accrued liability for retiree healthcare costs as required under GASB 45 in the prior fiscal year, which affected staffing costs in Fiscal Year 2006-07.
- Higher interdepartmental charges are the result of the increased costs of information technology services.
- The majority of the capital outlay expenditures relate to the Senior Center expansion, and Village concrete and other hardscape repairs.
- During the previous fiscal year, the Agency was conducting a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.

As anticipated, the Agency ended the year with a small operating deficit of \$211,000. There is sufficient fund balance to cover this deficit.